GOVERNMENT OF INDIA
FINANCE
LOK SABHA

STARRED QUESTION NO:395
ANSWERED ON:12.08.2016
Development Funds for States
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Will the Minister of FINANCE be pleased to state:

(a) whether the Union Government provides funds to the State Governments under various heads for the development of States and if so, the details thereof;
(b) whether any mechanism has been put in place to monitor the expenditure from the said funds, if so, the details thereof along with the manner in which the said mechanism functions; and
(c) if not, the reasons therefore?

Answer

(a) to (c): A statement is laid on the table of the House.

Statement referred to in reply to part (a) to (c) of Lok Sabha Starred question no. 395 due for answer on 12.08.2016

(a) The Union Government provides funds to State Governments in the form of Grants-in-Aid and Loans & Advances. The Grant-in Aid includes Central Assistance for State Plans and non-plan grants as provided in Union Budget each year keeping in view national priorities and overall development of the States. Further, the devolution from divisible pool of Central Taxes is also made to States as per vertical tax devolution formula and inter-se share of respective States recommended by Finance Commissions for the development of States.

Funds provided by the Union Government during 2014-15 and 2015-16 under the Major Heads '3601- grants-in Aid to State governments' and '7601-Loans and Advances' alongwith devolution of taxes & duties are given in the table below:

Rs. in crore

Year	Devolution of Taxes	Grant-in-Aids	Loans and Advances	Grand Total
2014-15*	337808	329734	11940	679482
2015-16 ^	506193	306129	12504	824826

^(Provisional & Un-audited)

(b) and (c) Plan Funds flow to the States under Central Assistance for State Plan (CASP) as per the Scheme Guidelines of the respective Ministries for development of the States. The programmes of Central Government meant for development of States have inbuilt mechanism to ensure proper utilisation of funds received by the State Governments. The concerned State Governments and Central Ministries review and monitor implementation of Schemes to ensure effective utilisation of funds and further instalments of grant-in-aid is based on utilization certificate for the amount already released. For the loans from Multilateral Development Banks passed to State Governments, strict monitoring of disbursement/ project is done through Tripartite Review Meeting and State Review Meetings. Public expenditure is also subject to independent audit.

Further, Public Finance Management System (PFMS) is envisaged to establish an on-line financial management information and decision support system for tracking of funds released under all plan schemes of Government of India and real time reporting of expenditure at all levels of programme implementation through treasury and bank interface.

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